Weekly Economic Review

Goods sector drives earnings growth

Average Weekly Earnings

Goods sector leads

Average weekly earnings (AWE) in Alberta reached $1,150.61 in May, an increase of 3.1% year over year (y/y). AWE rose 6.5% y/y in the goods-producing sector and 1.2% y/y in the services-producing sector. Goods sector AWE has outpaced services fairly consistently since March 2013 (Chart 1). Within the goods sector, mining, oil and gas extraction earnings rose 16.0% y/y, the third consecutive month of double-digit growth. Though service sector earnings growth was mild, growth in the finance and insurance industry was 10.9% y/y. Year to date, average weekly earnings were up 3.8% over the first five months of 2013.

Nationally, AWE reached $936.64 in May, up 2.6% y/y. Alberta posted the fourth largest earnings growth of the provinces, with Newfoundland and Labrador leading at 6.0% y/y growth.

Metres Drilled

Drilling further for oil and gas

Oil and gas producers in Alberta drilled 98.5% further to access resources in May than a year ago (Chart 2). Growth was noticeably broad based, with metres drilled for both oil and gas jumping from May of last year. Natural gas activity led the increase, drilling two-and-a-half times further and tapping nearly three times as many wells. Natural gas drilling has been especially active this year following a sharp drawdown in natural gas storage after an exceptionally cold winter. Total metres drilled for both crude oil (+89.8% y/y) and bitumen (+65.2% y/y) experienced stellar growth. Total metres drilled are up 40.5% year-to-date, with 28.5% more wells tapped.

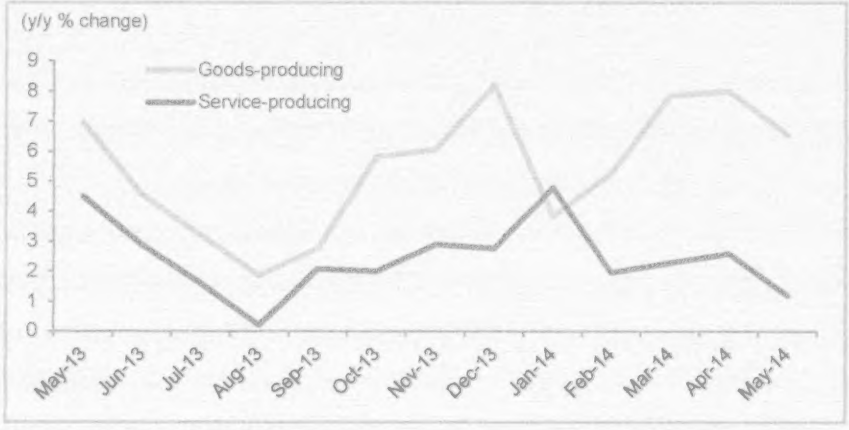
Rigs Drilling

Drillers busy in July

The number of active drilling rigs in Alberta jumped 22.8% y/y in July, with 229 active rigs. This is the most active July in the last 3 years. Drillers are likely trying to take advantage of higher energy prices. Natural gas prices have retreated from their February high above $5.00/GJ, but remains above last year's levels. The

Chart 1: Earnings growing faster in the goods sector

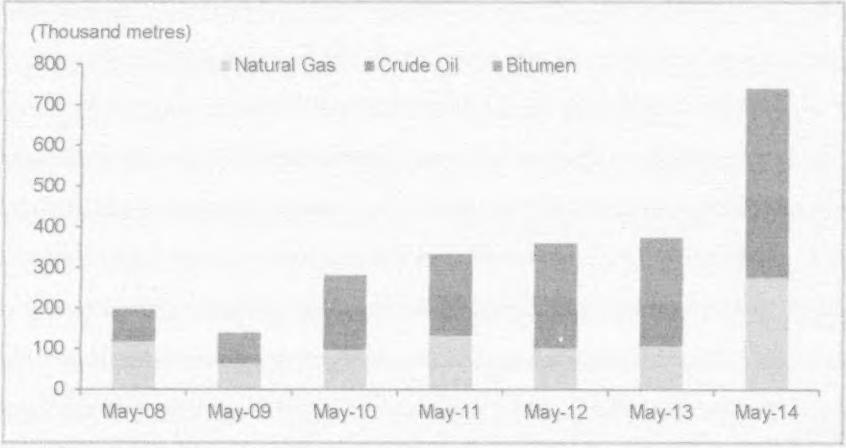
Year-over-year growth in Average Weekly Earnings by sector



Source: Statistics Canada

Chart 2: Broad-based expansion in metres drilled for oil and gas

Metres drilled in May



Source: Alberta Energy Regulator

national rig count has shown solid growth in both gas and oil rig activity recently, though most of the year-to-date growth came from gas drilling (Chart 3). Year to date, Alberta's rig activity has increased 7.1%.

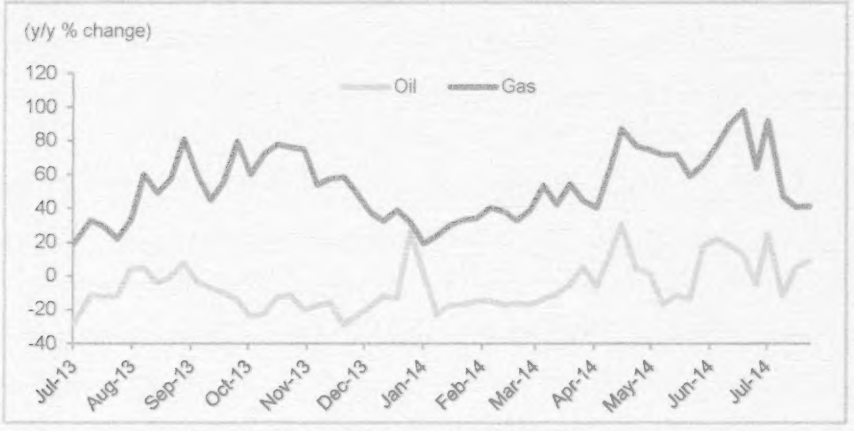
Canadian Real GDP

Growth jumps in May

Canadian real GDP posted a monthly increase of 0.4% in May, the fifth-straight month of growth and largest since October 2013. Growth was broad based, with output rising 0.4% in service-producing industries and 0.5% in goods-producing industries. The goods sector was led by manufacturing industries, and in particular motor vehicle manufacturing, which increased 12.6%. Oil and gas extraction also had a strong increase in May, up 0.7%, with both conventional and nonconventional oil and gas extraction adding to growth.

Chart 3: Gas drilling drives rig activity

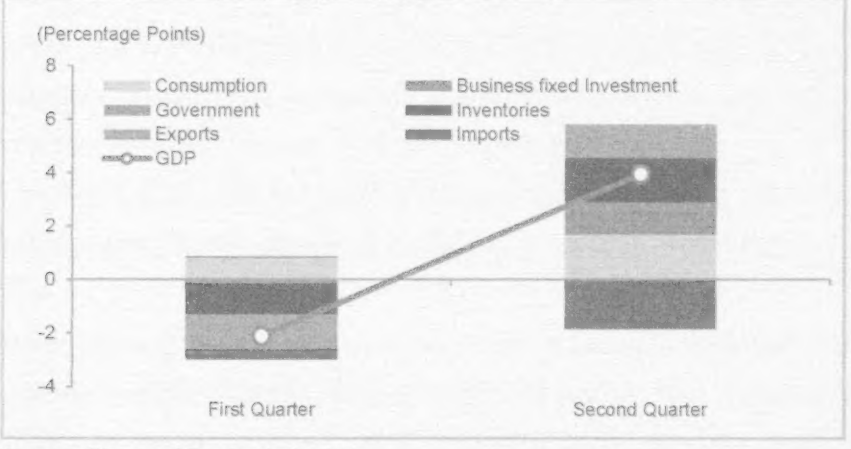
Canadian rig count



Source: Baker Hughes Rotary Rig Count

Chart 4: US economy rebounds in the second quarter

Contributions to annualized quarterly US real GDP growth in 2014



Source: Bureau of Economic Analysis

US Real GDP

Spring at last

After contracting at an annual rate of 2.1% in the first quarter, US real GDP rebounded by 4.0% in the second quarter, beating expectations. The turnaround was brought about by strengthening in a wide range of expenditures. Inventory investment added 1.7 percentage points to growth after subtracting 1.2 percentage points in the first quarter. Exports also reversed course, rising 9.2% in the second quarter after a 9.0% decline in the first. Personal consumption expenditures rose at a robust 2.5%, up from 1.2% in the first quarter. After shrinking for two straight quarters, residential investment increased by 7.5%. The better-than-expected GDP growth caused the US dollar to appreciate against a number of different currencies.

US Employment Situation

Another solid month for jobs

In July, the US gained an additional 209,000 jobs. July was the sixth consecutive month with job gains above 200,000 as momentum continues to build in the US labour market. Payroll employment in July was 1.9% higher than July 2013, the highest year-over-year growth since 2006. The unemployment rate ticked up by 0.1 percentage points, as more people started looking for work, with the labour force participation rate also ticking up to 62.9%.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.